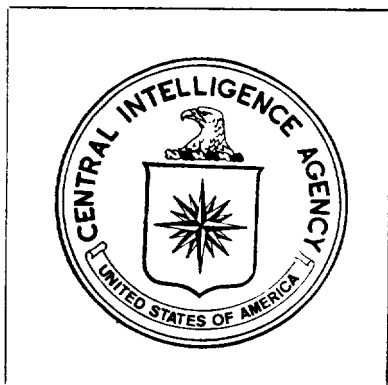


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*Communist Aid and Trade Activities
in Less Developed Countries, February 1976*

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May 1976

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CONTENTS AND SUMMARY OF EVENTS (February 1976)

Highlights

- Algeria and the USSR signed new protocols to expand economic activity.
- Romania signed agreements with Argentina, Colombia, Mexico, and Peru to participate in petroleum development.
- East European countries sent several delegations to OPEC countries to promote trade.
- The PRC agreed to turn over arms, originally meant for UNITA forces in Angola, to anti-Rhodesian guerrillas in Mozambique.
- The USSR reportedly will resume MIG aircraft deliveries to Sudan after a five-year interruption.

Page

Article

Communist Economic and Military Activities

in the Third World, 1975 1

Presents statistical data on Communist economic and military agreements with LDCs in 1975 and highlights major Communist activities, by region.

Other Activities

Economic 6

Military 13

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**COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES
FEBRUARY 1976**

**COMMUNIST ECONOMIC AND MILITARY ACTIVITIES
IN THE THIRD WORLD, 1975**

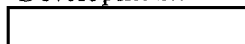
Communist economic aid commitments topped US \$2 billion in 1975 and continued along established patterns. Moscow provided \$1.3 billion, mostly to traditional Near Eastern and South Asian clients, to consolidate its influence in this major target area (see Table 1); China, with more than \$375 million in commitments, again focused on Africa; and the bulk of East European pledges went to major raw materials suppliers in an effort to stimulate export sales and provide a long-term return flow of needed resources. Communist economic commitments to developing nations for 1954-75 now stand at \$21.6 billion, more than half from the USSR.

The value of new military agreements fell 45% in 1975, to \$1.5 billion. The small programs of East European countries continued at near record levels, however; China's military aid program remained insignificant. Reduced Soviet sales to the Middle East were responsible for most of the decline, as heavy 1973-74 deliveries still were being absorbed into Syrian and Iraqi inventories, and Egypt's status was in limbo. Arab countries still signed up for more than 60% of the new military pledges. These same countries have accounted for about two-thirds of the \$17 billion in Communist-Third World military agreements signed since 1955 (see Tables 2 and 3).

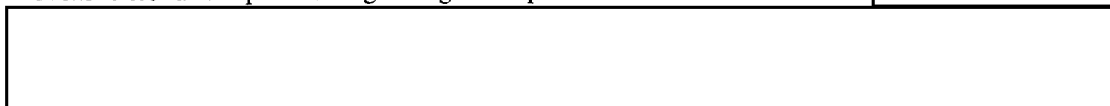
Africa

China was sub-Saharan Africa's most important Communist source of economic development aid again in 1975. More than \$255 million in economic aid was pledged to a dozen countries, five of which were new recipients: Guinea-Bissau, Mozambique, Gabon, Gambia, and Morocco. Still viewing Africa as a high-priority penetration area, Peking made its new 1975 commitment only slightly below the

Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed.



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Table 2

Communist Military and Economic Agreements Concluded with Less Developed Countries

Million US \$

	Military Agreements ¹ Signed				Economic Aid Extended			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total²	17,193	14,934	1,670	589	21,570	11,260	6,264	4,046
1954-65 ³	4,772	4,035	632	105	6,697	4,184	1,764	749
1966.....	536	467	17	52	1,621	1,189	268	164
1967.....	680	530	94	56	482	301	132	50
1968.....	568	491	52	25	662	379	220	63
1969.....	455	357	95	3	899	482	401	16
1970.....	1,132	1,023	46	63	1,104	200	176	728
1971.....	1,644	1,455	109	80	2,172	1,126	484	563
1972.....	1,138	914	146	78	2,229	699	925	605
1973.....	2,017	1,889	104	24	1,712	656	597	459
1974.....	2,741	2,469	191	81	1,864	718	873	273
1975.....	1,510	1,304	184	22	2,128	1,327	424	377

¹ Includes all agreements for military supplies provided for cash, under credit arrangements, and as grants.

² Because of rounding, components may not add to the totals shown.

³ The first military agreement was signed in 1955.

Table 3

Communist Economic and Military Deliveries to Less Developed Countries

Million US \$

	Under Military Agreements				Under Economic Aid			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total¹	14,387	12,459	1,404	524	9,320	5,900	1,722	1,698
1954-65 ²	3,690	3,079	575	36	2,643	1,908	480	255
1966.....	620	498	49	73	504	338	75	91
1967.....	540	491	23	26	525	307	117	101
1968.....	594	503	62	29	500	306	123	71
1969.....	534	456	51	27	519	350	98	71
1970.....	1,102	995	80	27	567	375	123	69
1971.....	994	843	86	65	770	431	151	188
1972.....	932	797	59	76	735	368	112	255
1973.....	2,233	2,070	85	78	804	435	141	228
1974.....	1,594	1,445	132	17	1,041	665	147	229
1975.....	1,554	1,282	202	70	712	417	155	140

¹ Because of rounding, components may not add to the totals shown.

² The first military agreement was signed in 1955.

record 1971-74 annual offerings. China's military aid to Africa, always a secondary program, was less than \$15 million, distributed among five countries.

China's \$2.3 billion commitment to Africa, its 23,220 technicians resident on the continent, and a program tailored to suit African needs have helped to spread Peking's influence to 34 countries in Africa. The PRC's aid, less than half the Communist total, has been carefully targeted, focusing on countries where Chinese skills are applicable and where the program will have the greatest impact. Completion of the Tan-Zam Railroad in 1975 reinforced the image of China as emphasizing support to Africa in a way no other major power has effectively challenged.

Soviet interest in Arab affairs has made Libya and Algeria important clients. After a lapse of several years, the USSR pledged large deliveries (\$450 million) of military hardware to Algeria in 1975. Libya also will continue to receive major military equipment under new agreements.

In sub-Saharan Africa, Soviet aid has been heavily concentrated in Somalia. Military deliveries reached \$50 million in 1975, making Somalia the leading arms recipient in Black Africa for the third consecutive year. Mogadiscio also received technical and advisory support from 1,000 military technicians, the largest effort of its kind in Africa. A new \$60 million economic aid pledge includes 1,000 economic technicians. The USSR has won important military concessions from Somalia through its assistance program. Moscow is developing port facilities at Berbera for both its own and Somali use. Soviet naval reconnaissance aircraft now operate from Somali airfields, giving Moscow expanded coverage of the Indian Ocean area.

Moscow's largest sub-Saharan economic aid program, \$200 million to Guinea, has also promoted a military presence. The use of Conakry airport gives Moscow reconnaissance capability over most of the Middle and South Atlantic. Since autumn 1975, the Soviets have maintained a continuous naval presence near Conakry in support of Angolan operations.

Recently renewed Soviet interest in East Africa has been manifest in rapid expansion of military deliveries to Uganda and Tanzania. Deliveries to Uganda last year under a 1974 agreement were second only to Somalia, and deliveries under Moscow's large 1974 accord with Tanzania also began in 1975.

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Turmoil in southern Africa opened new opportunities for Soviet penetration during the year. Moscow's active support to the Popular Movement for the Liberation of Angola (MPLA) provided \$50 million worth of military supplies and 100 military advisers in country, plus a 300 man supporting team in Congo. Cuban aid added another \$30 million* and 10,000 men.

Eastern Europe's program concentrated on North Africa. Algeria received \$90 million in development assistance and Tunisia \$10 million. East European countries also delivered \$70 million worth of military equipment to Libya on Soviet account.

Latin America

East European Communist countries intensified their Latin American sales campaign in 1975 in an effort to reverse the persistent deficits in their trade accounts with the region. Credits of \$210 million in 1975 brought total Communist pledges to Latin America to \$1.9 billion; more than three-fourths of this has been extended in the past five years, primarily under trade agreements or as supplier-type credits on near commercial terms. Less than 20% of Latin America's Communist aid has been used.

Romania again was the most active in 1975, with a \$150 million trade credit to Brazil its largest offering, and Moscow made available some \$45 million in credits for power equipment by renegotiating an expiring agreement. The USSR also signed contracts worth \$120 million to equip two thermal powerplants in Argentina under a 1974 open-ended agreement.

Soviet arms continue to flow to Peru, Moscow's only Latin American military client. Orders for \$30 million in 1975 brought the Soviet commitment to \$133 million, deliveries peaking at \$54 million as new artillery systems, additional tanks, and helicopters arrived.

Mexico became the first Latin American country to sign an agreement with the Council for Mutual Economic Assistance (CEMA). It was an umbrella agreement stipulating areas for possible cooperation, such as energy development, and was similar to one signed with Iraq.

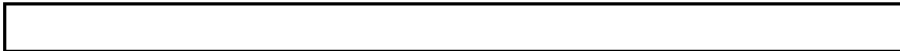
* Represents the value of equipment deliveries at Soviet foreign trade prices. Values do not include the cost of technical services.

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Near East and South Asia


Communist aid to the Near East and South Asia in 1975 was dominated by the USSR. Since its program began in 1955, the USSR has overwhelmingly concentrated aid in the Near East and South Asia. Using military aid as its primary instrument, Moscow has answered emergency calls for assistance from its favored clients and has withheld assistance when it wished to influence events. In 1975 over 80% of total Soviet arms deliveries was destined for this area, and 70% of the Russian military technicians abroad were stationed there. Egypt, Syria, India, and Iraq have been Moscow's best customers. They have received sophisticated equipment, including MIG-23s, TU-22 bombers, Yevgeniya minesweepers, SCUDs, and Petya class patrol boats. In 1975 almost all of Eastern Europe's foreign military sales went to the Middle East and South Asia. Moscow also gave 90% of its 1975 economic aid to this area. Most of the help was provided under major agreements with Afghanistan and Turkey, bringing them into third and fourth place as ranking Soviet aid recipients. Although 11,500 Soviet technical personnel -- 65% of the Soviet total stationed in LDCs -- were in Near Eastern and South Asian countries, only 3,415 East Europeans were stationed there. Eastern Europe's major technical effort continues to be concentrated on commercial contracts in North Africa.



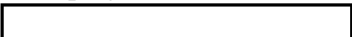
OTHER ACTIVITIES

Economic

Africa

General. Demonstrations of Soviet AN-30 aircraft were held in Tunisia, Ethiopia, Liberia, Chad, and Algeria during January and February. The plane is intended mainly for use in topographic mapping surveys. Moscow is trying to increase sales of commercial aircraft in Africa. Similar demonstrations of the YAK-40 were held in 1974, but there were no takers. 

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Algeria. At their annual economic commission meeting in late January, the USSR and Algeria concluded an agreement calling for further cooperation, particularly in steel development, mining, land reclamation, and geology. Also mentioned were a railroad and exploitation of iron deposits at Gara Djebilet, once under consideration as a joint Algerian-Moroccan project. It is not likely that decisions were reached on the latter projects. 

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Algeria signed a contract with China in late December 1975 to construct a 2,000 metric ton rice processing plant. Construction is scheduled to begin in mid-1976. Financing may be under a \$40 million 1971 credit. Late last year the two countries also signed contracts calling for Chinese assistance for silk production at Guelma and fish breeding at Mazagran. [REDACTED]

25X1

Burundi. The joint Romanian-Burundian governmental commission signed a protocol for economic and technical cooperation in agriculture, extractive and metallurgical industries, transportation, and personnel training. No further details were announced. [REDACTED]

25X1

Cape Verde Islands. Cape Verde's premier visited Poland to discuss Polish assistance to fisheries and industrial development. Cape Verde also announced that it will establish diplomatic relations with Hungary. [REDACTED]

25X1

Guinea. The Guinean Minister of Public Works, Mines, and Geology was in Moscow in February for talks with the Soviet Minister of Foreign Trade, possibly to negotiate a new price for Guinean bauxite sold to the USSR. Guinea has demanded renegotiation of the \$6.50 per ton (\$10 below the world market price) the USSR pays under a 1970 agreement. The USSR takes 90% of the 3 million tons of bauxite produced annually at the Soviet aided Kindia complex as aid repayments under a barter account. [REDACTED]

25X1

Guinea-Bissau. Hungary and Guinea-Bissau signed their first economic cooperation agreement late in February. No details were announced. [REDACTED]

25X1

Libya. Tripoli's Minister of the Economy discussed East German participation in Libya's current five-year plan (1976-80). East Germany is the only East European country that has not taken an active role in construction projects in Libya. [REDACTED]

25X1

The joint Romanian-Libyan Commission for Economic and Technical Cooperation concluded its third session in Bucharest late in February with a protocol on new ventures in oil, building, agriculture, transport, and trade. The new protocol underlines Romania's interest in Libyan development. Last year the two countries signed agreements for Romanian studies of two new rail lines, two major road projects, and an oil refinery at Misurata. At least 1,500 Romanians are employed in Libya under development contracts. [REDACTED]

25X1

A Libyan delegation traveled to Moscow early in February for further discussions on Soviet aid to nuclear development. A Soviet offer of a 2 megawatt research reactor and a 440 megawatt nuclear powerplant were discussed, but negotiations do not appear to be much beyond the initial stage. Unspecified military topics also were reviewed. [REDACTED]

25X1

Morocco. Morocco and China signed a protocol to initiate construction of a sports complex under China's first aid agreement with Morocco. The \$35 million agreement was signed a year ago. [REDACTED]

25X1

Mozambique. Commercial agreements with the USSR were signed early in February during the visit of a Mozambique delegation to Moscow. [REDACTED]

25X1

Nigeria. In mid-January Nigeria signed an agreement with China to develop three rice projects, covering about 1,000 hectares. Meanwhile, 22 Chinese technical advisers continued to train Nigerians in carpentry, metal and leather work, and vehicle repair. Under another agreement, signed late in January, 27 other Chinese will train Nigerian personnel and assist in a water well drilling program. The value and terms of Chinese assistance are not known. [REDACTED]

25X1

Somalia. The Bulgarian Minister of Mineral Resources arrived in February to negotiate an economic cooperation agreement with Somalia. Exploitation of mineral resources and improvement of water supply were mentioned as possible areas of collaboration. Bulgaria already is participating in a tin project at Majayhan under a 1972 credit agreement. [REDACTED]

25X1

East Asia

Malaysia. Poland and Malaysia are negotiating to expand their relationship beyond a general economic and technical assistance agreement signed in 1973 that prescribed cooperation in all areas of Malaysian development. Plans for joint ventures to manufacture automobiles, diesel engines, and electric motors are reported as well advanced, and they may be completed next year. A joint deep sea fishing project also is planned, pending the outcome of surveys currently under way. Trade is scheduled to rise above the \$100 million estimated for 1975. Malaysia is exchanging tin, rubber, and palm oil for Polish equipment and fertilizer. [REDACTED]

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Philippines. China will hold a trade exhibit in Manila in October, featuring agricultural machinery and equipment. Earlier in February, Philippine officials had announced plans to hold an exhibit in Peking in the spring. [REDACTED]

25X1

Manila concluded its first trade agreement with Poland, calling for settlement in convertible currencies. Plans call for an increase in Philippine exports from \$100,000 last year to at least \$8 million in 1976. In 1975, trade agreements were signed with Romania and Bulgaria, and similar agreements are pending with Hungary and Czechoslovakia. [REDACTED]

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The USSR reportedly bought 400,000 tons of Philippine sugar, with delivery to begin in March. The deal, equivalent to about 40% of Philippine sugar exports in 1975, is valued at about \$115 million at current prices. [REDACTED]

25X1

Thailand. Preparations continued on the Chinese trade exhibit to be held in Bangkok in March, the largest ever for Thailand, and one of China's largest exhibits abroad. According to the Bangkok press, China has offered to sell unlimited quantities of crude oil to Thailand and to set up an oil storage facility. No decision has been taken on the offer. Processing Chinese crude will require modification of Thai refinery facilities. [REDACTED]

25X1

Europe

Greece. Athens recently signed trade protocols with Bulgaria and Romania and negotiated long-term trade agreements with Czechoslovakia and Hungary. The Bulgarian protocol projects 1976 trade at \$140 million, compared with about \$60 million in 1975. [REDACTED]

25X1

Latin America

Argentina. Argentine grain sales (presumably wheat) to the USSR in January reportedly topped 250,000 tons, valued at \$27 million. Moscow also signed an agreement to import \$1.5 million worth of wine. [REDACTED]

25X1

During the first meeting of the Argentine-Romanian joint commission, Romania signed a protocol to increase assistance to the Argentine oil industry. Bucharest already is providing oil field equipment under its \$100 million credit to Argentina. The two countries also signed agreements to expand and diversify trade. [REDACTED]

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Jamaica. A Cuban construction team arrived in Kingston to begin building a \$2 million school project, agreed to in January. Cuban experts also will assist in irrigation projects and possibly rice cultivation. [REDACTED]

25X1

Colombia. Colombia and Romania after two years of negotiations signed agreements for joint enterprises to undertake oil field servicing and coal exploration. Romania also agreed to undertake a feasibility study for a refinery at Tumaco. Under the agreements, Romania will form a joint petroleum service company and a second joint enterprise to explore for coal in central Colombia. Following the exploration phase, Romania will have the option to continue as a partner or to drop out with reimbursement for earlier participation. [REDACTED]

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Colombia is expanding its economic relations with other Communist countries. Under protocols signed in 1975, Colombia's trade with the USSR is to increase from \$7 million in 1974 to \$60 million through 1977. Bogota also signed new trade protocols last year with East Germany and Hungary. Negotiations are continuing with East Germany for \$50 million in credits and Colombia is contemplating an agreement of association with CEMA. [REDACTED]

25X1

Mexico. Mexico signed agreements with three East European countries in February. An agreement with Romania calls for cooperation in oil industry development while Poland will provide assistance to agriculture and animal husbandry. East Germany has proposed projects in steel and metal fabrication and for producing electronic equipment. [REDACTED]

25X1

Mexico recently made its fourth coffee sale to China, valued at \$1.7 million. At the same time, Mexico announced its intention to expand corn and soybean sales to the PRC.

Peru. Romania and Peru signed an agreement in February for further cooperation in the mining, oil, and energy fields. The agreement calls for establishing a joint company for petroleum exploration, construction of a petroleum refinery, and expanding the activities of an existing joint mining venture. Some of these activities may be financed under a 1973 Romanian credit for \$25 million. [REDACTED]

25X1

Poland will deliver four fishing vessels to Peru beginning in January 1977 under a new agreement that replaces a fishing agreement signed in 1971. Poland also will train personnel and provide a research vessel to explore Peruvian waters. [REDACTED]

25X1

Venezuela. In February, Venezuela apparently accepted Romanian offers of equipment and technical assistance for the construction of a soda ash plant and cement plant. The terms of the Romanian offer are not known. Bucharest has offered assistance to Venezuela since the late 1960s, the first evidence of a positive response to Romania's overtures. [REDACTED]

25X1

Near East and South Asia

General. Communist countries recently stepped up sales promotion programs in OPEC countries. A Hungarian delegation headed by the finance minister visited Abu Dhabi and Dubai to discuss financial cooperation with the two countries. The possibility of loans from the Abu Dhabi Fund for projects in Hungary was mentioned. Romania sent a delegation to Oman to discuss equipment sales and Poland signed a contract with Kuwait to provide a 700,000 ton cement plant, Poland's first industrial project in Kuwait. Bahrain announced that it had approved a Chinese request to hold a six-week industrial and agricultural exhibition later in the year. This will be China's first such exhibit in the Gulf area. [REDACTED]

25X1

India. India and Hungary announced in February that they will expand trade and initiate joint ventures in third countries. No further details were released, proposals will be discussed further in April during the meeting of the joint Indo-Hungarian Commission in Budapest. [REDACTED]

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Iraq. A Czechoslovak delegation visited Iraq in February to discuss participation in projects under Iraq's upcoming development plan. A major topic was Prague's interest in oil industry cooperation. [REDACTED]

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Later in the month, Czechoslovakia signed an agreement to expand the Czech-built Al Basrah refinery at a cost of \$24 million. Financing was not announced. Iraq is repaying previous Czech assistance to the original plant with crude oil. [REDACTED]

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A Hungarian delegation began talks in late February on Hungarian participation in Iraq's new development plan (1976-80). Hungary extended \$50 million in development credits in 1971, little of which has been used. Development of trade also came under review. Iraq is Hungary's largest Third World trading partner. [REDACTED]

25X1

Iraq. The USSR and Iraq held further discussions on a joint fishing company and water resources development during February. The USSR is providing trawlers for the fishing venture, which apparently started operations this month. Discussions on water resources focused on preparation of a comprehensive long-term plan for water use in Iraq. [REDACTED]

Jordan. Jordan has taken delivery of additional oil prospecting equipment from Romania under a 1974 agreement. Romanian technicians are participating in prospecting and expansion of a refinery in Jordan. [REDACTED]

Pakistan. The Soviet Deputy Foreign Minister arrived in Pakistan for high-level talks on economic and military affairs. [REDACTED]

East Germany announced plans to provide credits for Pakistan's textile and rice processing industries. The planned level of assistance is not known. [REDACTED]

A Soviet delegation arrived in Pakistan to discuss extending Soviet oil and gas exploration to new areas. The activity probably is being financed under a \$18 million credit extended in 1969. [REDACTED]

South Yemen. The USSR signed agreements for the construction of a hospital in February. The cost of the 300 bed facility was announced as \$6.9 million, to be financed under a 1972 credit. Soviet aid for three additional hospitals is in the planning stage. [REDACTED]

Late in February a Yemeni delegation departed for Poland, probably to discuss Polish participation in industrial and fisheries development. In 1973, Warsaw agreed to provide credits of unknown value for these undertakings. [REDACTED]

Syria. Romania signed agreements in February to undertake land reclamation in the Euphrates Basin. Discussions on the project began in 1973. Syria, with commitments of almost \$400 million, is Romania's largest aid recipient. Ongoing Romanian projects include oil exploration and development, a refinery at Baniyas, and construction of cement plants. [REDACTED]

Turkey. A Romanian delegation was in Turkey in February for talks on joint agricultural production and marketing ventures under an existing agricultural cooperation agreement. [REDACTED]

Military

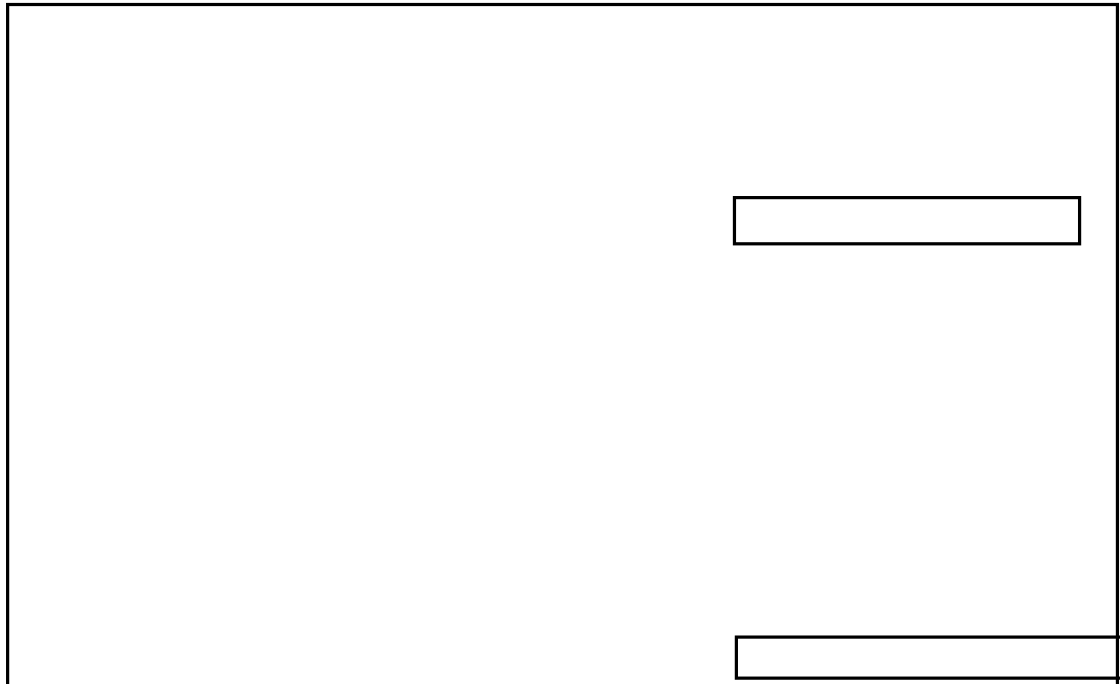
Africa

Angola. As of mid-February there were as many as eight MIG-21 aircraft in Luanda. Five fighters were delivered [redacted] in early February; the other three probably arrived [redacted] in January. [redacted]

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Zambia. The Zambian army recently received 20 Soviet BRDM-2 amphibious scout cars and 8 tanks, probably the T-54 model. The tanks are a new item, but the army is familiar with the BRDM-2, since it received 27 of these vehicles from the USSR in 1972. Some of the new equipment may go to the western regions where Zambia has been covertly supporting the anti-Communist factions in neighboring Angola. Zambian President Kaunda, who declared a full state of emergency on 28 January, is reportedly concerned that the Angolan fighting may spill across the border or Rhodesia may take advantage of the unsettled situation to instigate incidents along the Zambezi River. The new equipment should improve the army's firepower and mobility in the border regions. [REDACTED]

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Near East and South Asia

India. India's Naval Air Station runways are too short to accommodate the three Soviet IL-38 maritime reconnaissance aircraft contracted for in February 1975. Originally scheduled for delivery in mid-1976, the aircraft are now expected in late-1976 or early 1977 when runway extension is completed. [REDACTED]

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Iraq. Iraq took delivery of 6 MIG-23 jet fighters in February, bringing to 60 the number of these aircraft received from the USSR since early 1974. [REDACTED]

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